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Thursday 6 October 1977 CG NIDC 77/233C

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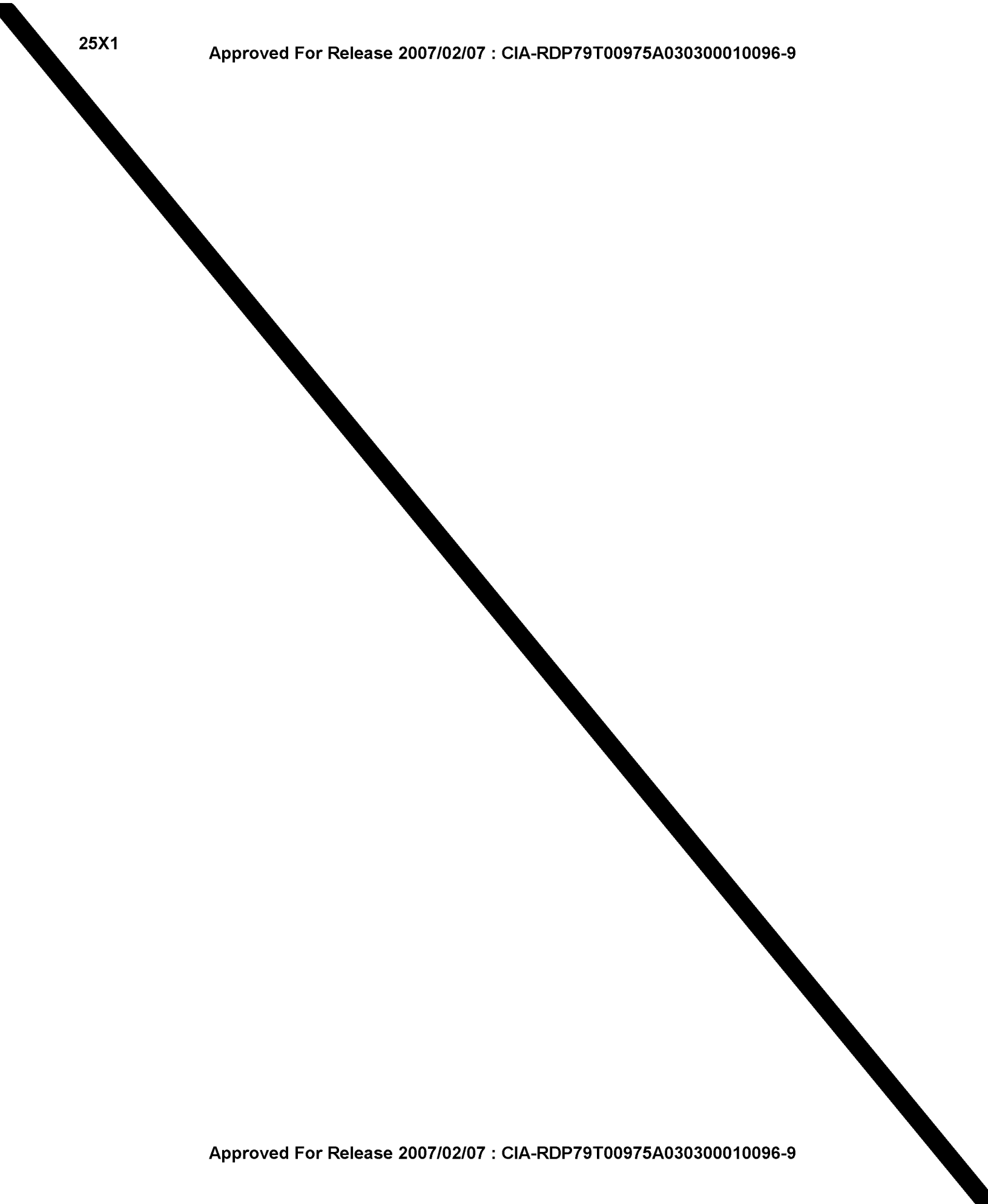
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National Intelligence Daily Cable for Thursday, 6 October 1977

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The NID Cable is for the purpose of informing senior US officials.

CONTENTS

[redacted] 25X1

ISRAEL-GUATEMALA: Possible Jet Sale Page 2

OPEC: Improved Port Conditions Page 2

YUGOSLAVIA: Career Rivalries Page 4

FRANCE: Majority Views on Left Rift Page 6

JAPAN: Handling of Hijack Criticized Page 7

CHINA: Oil Production Growth Page 8

PERU: Military-Political Cooperation Page 9

25X1

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BRIEFS Page 11

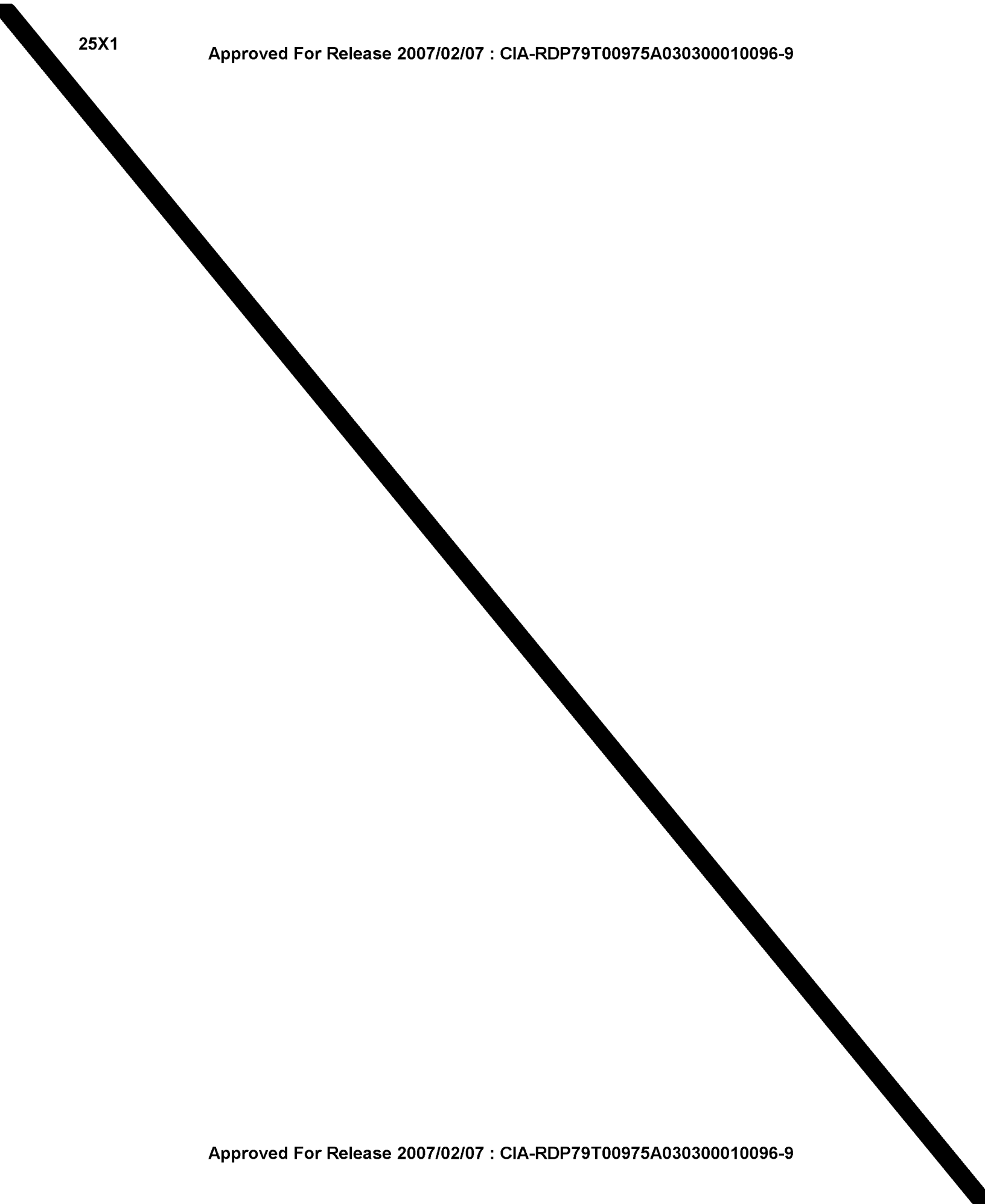
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ISRAEL-GUATEMALA: Possible Jet Sale

25X1 [redacted] *//Israel reportedly is considering a sale of high-performance jet fighter aircraft to Guatemala, according to US Embassy sources in Mexico. Guatemala only recently requested fighter aircraft from the US.//*

25X1 [redacted] In the past year, Guatemala has been seeking fighter aircraft from Italy as well as from Israel and the US. Italy reportedly offered to sell Guatemala 15 SF-260 aircraft, and Israel offered some ageing Super Mystere fighters. Last fall, the Guatemalans apparently decided that both packages were too expensive.

25X1 [redacted]

25X1 [redacted] The new interest in Israeli aircraft coincides with Guatemala's request last month for five F-5E interceptors and one F-5F trainer from the US. Israel may be offering its Mirage aircraft this time.//

25X1 [redacted] Guatemala wants the $25-million US F-5 package to fill a gap in its air defense capabilities and is probably negotiating with Israel in anticipation of a possible US refusal to sell the F-5.

25X1 [redacted] In recent years, Israel has been Guatemala's major military supplier, providing transport aircraft, armored cars, small arms, and ammunition. [redacted] 25X1

OPEC: Improved Port Conditions

25X1 [redacted] *The unprecedented congestion in the ports of Middle East oil-producing countries since 1975 has eased considerably this year. At most ports, ships are encountering delays of 30 days or less, a vast improvement over the six- to*

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seven-month waiting periods experienced last year. Surcharges and demurrage fees have been greatly reduced or eliminated from record levels of last year; damage to cargo also has been reduced. The improvement permits more orderly progress on development projects.

25X1 The improvement in efficiency at the ports results mainly from the use of modern shipping technology--primarily roll-on/roll-off ships and containerships. The improvement is most evident at Jidda, where an estimated 25 percent of imports arrived by containerships in 1976. Similarly, roll-on/roll-off ships--which only began calling at Jidda in late 1975--now deliver one-third of all imports through Jidda. Cargo amounting to 1.4 million tons was unloaded at the port during the first two months of 1977, an amount almost equal to the total cargo unloaded during all of 1974.

25X1 Cargo-handling efficiency has also been raised, primarily through better management methods. In Iran and Saudi Arabia, for instance, the ministries in charge of ports have been reorganized, and incompetent officials have been replaced. Improvements in labor productivity have helped alleviate some problems. Foreign firms and laborers are being hired in increasing numbers to handle specific tasks--for example, organizing training programs, arranging cargo within storage areas, and designing custom forms. The performance of local workers is also being slowly upgraded.

25X1 //The completion of several major port expansion projects has contributed to the reduction in congestion. Iran, Iraq, Saudi Arabia, and other oil producing states have had extensive port development projects under way for the past several years. By 1985, these countries will have spent at least $15 billion on building new berths and warehouses, acquiring forklift trucks and other handling equipment, and otherwise improving facilities.//

25X1 Another factor contributing to reduced port congestion in several countries is a slowdown in the growth of imports. In Iran, for example, the volume of imports entering the country has remained essentially the same since late 1975. In Iraq, import volume in the first half of 1977 has actually fallen by about 15 percent.

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Approved For Release 2007/02/07 : CIA-RDP79T00975A030300010096-9

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25X1 An important byproduct of reduced port congestion and more efficient cargo handling has been a lowering of import costs. At the height of congestion, government officials in Saudi Arabia estimated that damage to cargo left in open storage was driving up import costs at certain projects by 20 percent or more. Similarly, one business official in Iran stated that nearly 10 percent of the equipment that arrived last year was destroyed by rust before it could be put into operation. These problems still exist at all ports to some degree, especially in Iran, but the situation is no longer as serious as it was a year ago.

25X1 The oil-producing countries still face internal distribution problems. Their inland transport systems are antiquated and inadequately located for present-day needs. During the past three years, the highway and rail systems in Iran, Iraq, and Saudi Arabia have further deteriorated under the massive new import traffic.

25X1 Iran, Iraq, and Saudi Arabia have drawn up ambitious development plans to remedy their internal transport problems. Between 1976 and 1980, these three countries together will spend about $10 billion on these facilities, triple the amount spent between 1971 and 1975.

25X1 Most of the programs are focused on upgrading existing networks and providing links to new industrial and mining centers. Except in Saudi Arabia, where highways have already been upgraded considerably, most internal transport projects are still in the design or early construction stages. By the mid-1980s, however, sufficient improvements should have been made to support the ambitious industrial development programs envisioned by these countries. 25X1

YUGOSLAVIA: Career Rivalries

25X1 *//A resurgence of infighting within the Yugoslav Government over the post of defense minister is adversely affecting relationships among some of President Tito's subordinates and may also be a factor in the absence of Tito's wife from public view.//*

25X1 //Defense Minister Nikola Ljubicic has long been reported due for reassignment at the party congress next May. Last fall, a faction within the military high command moved to

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oust him and failed. Afterward, several senior officers--including Under Secretary of Defense Colonel General Djoko Jovanic--retired under a cloud.//

25X1 //The officers involved drew their strength from their membership in an influential group of Serbian wartime partisans from the Lika region of Croatia. The Lika Serbs hold a disproportionately large number of key posts in the military hierarchy. Although their generation is heading into retirement, they are maneuvering to maintain influence as long as possible. Since Jovanic's departure, Admiral Branko Mamula, a deputy defense minister and commander of the navy, emerged as the Lika Serbs' candidate to succeed Ljubicic.//

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25X1 another candidate--Stane Dolanc, the secretary of the Communist Party's executive committee--appeared this summer. Dolanc once had aspirations to succeed Tito as party leader, but Edvard Kardelj--Tito's long-time confidant, who has made a surprising recovery from two operations for cancer--has reportedly trimmed Dolanc's expectations. He now appears to want the Defense Ministry post as a holding position for the future. Competition between Admiral Mamula and Dolanc has become nasty.//

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25X1 //It may be that only Tito himself can stem the rivalry for the ministry post before it spreads. He probably would like to do so without having to choose at this time between his senior party subordinate, Dolanc, and Mamula, the standard-bearer of a powerful faction in the ministry. Tito could feel compelled to dampen the rivalry before he leaves on a trip to Paris and Lisbon next Wednesday.

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FRANCE: Majority Views on Left Rift

25X1 *The rift in the French Left Alliance over updating its Common Program has spurred the parties in the governing center-right coalition to rethink the assumptions of their electoral strategy and to determine how best they can exploit the Left's vulnerabilities. Except for the Gaullists, the parties are exercising extreme caution, fearing that by playing their hand too early they could give the Left an issue to rally around and divert attention from the Communist-Socialist feud. All government parties are also aware that whatever benefits may accrue to them from the near-breakdown of the Alliance, the polls still show that a majority of the French electorate still intends to vote for the Left opposition next March.*

25X1 In a letter to a meeting of Gaullist deputies, Prime Minister Barre noted last week that the divisions within the Left Alliance had "profoundly modified the political landscape." He made a discreet appeal to voters of all persuasions to support the governing coalition and once again underscored the major campaign role he intends to play.

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25X1 These appeals must be read against the background of a three-year effort by President Giscard to reduce the strength of the Gaullists in the governing coalition and woo the support of moderate Socialists and Left Radicals.

25X1 The Giscardians and Centrists are convinced that a process is under way by which the left and right blocs in France are being broken down. This fits in with Giscard's game plan, which foresaw that inherent contradictions within the Left would eventually lead to a split and that a consensus might then evolve around an enlarged center representing Giscard's "advanced, liberal" society.

25X1 The Giscardians are probably hoping that the break they have been predicting for years has finally come and that the dispute in the Left will last until December, at which time it will be difficult for the Left to reorganize its campaign to maximum efficiency.

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030300010096-9

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25X1 They are wisely taking nothing for granted, however, and are acting on the assumption that the Left will eventually agree to an electoral alliance and that the two sides will go into the March election in more or less their present form. Most speculation within the governing coalition apparently focuses on the possibilities for new combinations after the election.

25X1 Gaullist leader Jacques Chirac and his party have predictably chosen to interpret the break in the Left differently. The Gaullist line is that the political landscape has not fundamentally changed; the Socialists, trapped in their "collectivist, Marxist" option, have become the Gaullists' principal target. Chirac has called on Left Radical voters who have become disillusioned with the Left Alliance to rally to his party, but he has specifically excluded Socialist voters from his "strategy of welcome."

25X1 The Gaullists probably had little chance of attracting Socialist voters anyway, but by rejecting their votes in advance they differentiate themselves from the other parties in the governing coalition and hope to deny the Socialists any increased respectability they might gain from a break in the alliance. The Gaullists are concerned that a Socialist party freed from the Communists and returned to its fluid "catch-all" state might try to make serious inroads into the crucial centrist part of the electorate that is still undecided. 25X1

JAPAN: Handling of Hijack Criticized

25X1 *Widespread domestic criticism of Japan's tactics during the recent aircraft hijacking by Japanese Red Army terrorists has sparked dissension within the cabinet and political sniping at Prime Minister Fukuda. The episode is unlikely to become a major political problem, however, although Fukuda's opponents in the ruling party and the Diet will use it to attack Fukuda's leadership abilities.*

25X1 The problem in the cabinet reflects the attempt by some ministers to insulate themselves from criticism of the government's handling of the incident. Although the Minister of Justice has taken official responsibility for the release of the prisoners and has resigned, criticism has centered on the government's agreement not to request the terrorists' extradition if Algeria permitted the hijacked aircraft to land.

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25X1 Foreign Minister Hatoyama and other Foreign Ministry officials have so far borne the brunt of the criticism for allegedly giving in to the Algerians without formal cabinet approval. The cabinet endorsed the decision after the fact, but Foreign Ministry officials maintain that they had tacit cabinet approval beforehand.

25X1 Aside from the effort by Fukuda's opponents to capitalize on the incident, some of the attacks on the Foreign Ministry have apparently been orchestrated by Chief Cabinet Secretary Sonoda, who is well known as an antagonist of the Foreign Ministry.

25X1 Fukuda has sought to contain the controversy, despite his previous agreement with the Algerians, by attempting to open negotiations to return the hijackers. Failing that, the Japanese will undoubtedly stress that they have requested that the Algerians prevent the hijackers from leaving the country and ensure that the $6 million ransom not be diverted to terrorist coffers. Some members of the opposition may attack the government's behavior in the Diet to embarrass Fukuda, but at this point the political contention seems likely to diminish as public attention to the episode wanes. 25X1

CHINA: Oil Production Growth

25X1 *Chinese crude oil production rose by only 10 percent in the first eight months of this year compared with the same period last year, according to the New China News Agency. This rate of increase indicates that crude oil production will be about 92 million tons this year.*

25X1 Oil output rose by about 13 percent in 1975 and 1976. The average for 1960-1974 was at least 20 percent. The eight-month increase so far this year is down slightly from the 10.6-percent claim for the first half of the year.

25X1 There are two apparent explanations for the decline in the growth of crude oil output, although it is not clear which has played the predominant role. The first is that growth in total demand has been declining. Exports have not increased during the last two years because of buyer resistance in Japan, and domestic consumption has been held back by the slow growth of the economy.

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Approved For Release 2007/02/07 : CIA-RDP79T00975A030300010096-9

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25X1 The Chinese therefore may have been deliberately holding back crude production. Peking said as much in 1976, when it announced that crude productive capacity increased by 20 percent during the first half of that year while actual crude output increased by only 10 percent.

25X1 The other explanation is that the industry has been facing increasing technical problems. The leader of a Chinese technical delegation that recently toured US oil facilities said that existing Chinese oilfields are "problem-ridden." He indicated that some wells are operating only 25 percent of the time because of equipment breakdowns, internal pipe corrosion, and leakage of sand into pumps.

25X1 The growth rate at Ta-ching, which accounts for about half of China's oil production, appears to be leveling off. Growth at the next two largest fields, Sheng-li and Ta-kang, is much below past rates. The geology of Sheng-li and Ta-kang is unusually difficult, and most of the new wells must be drilled deeper than the 2,000 or 3,000 meters of the earlier wells.

25X1 The Chinese also announced a 24-percent increase in natural gas production during the first eight months of 1977. Current output may be at an annual rate of about 80 billion cubic meters. Chinese industry is not benefiting fully from this gas because an estimated 80 percent of it is being produced in Szechwan Province, where there is no way to transport it to regions with the largest concentrations of industrial users.

25X1 Talks with Japan on importing liquefaction plants to process Szechwan gas for transport are still in the preliminary stage. Currently, the largest industrial use for natural gas is as a raw material for imported urea fertilizer complexes. 25X1

PERU: Military-Political Cooperation

25X1 *//The head of Peru's military government, President Morales Bermudez, has apparently agreed to cooperate politically with Victor Haya de la Torre, leader of the country's largest political party, the American Popular Revolutionary Alliance. Cooperation between the two figures could smooth the period leading to the national election scheduled for 1980.//*

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25X1 [redacted] The 84-year-old party leader's decision not to be a presidential candidate in 1980 because of his age probably contributed to Morales Bermudez' willingness to cooperate with APRA. The party has long played a major role in Peruvian politics, but since 1930 the military has repeatedly conspired to keep Haya out of office.

25X1 [redacted] The government's principle inducement for cooperation appears to be APRA's broad political base, particularly its strong ties to organized labor.

25X1 [redacted] Morales Bermudez will undoubtedly be obliged to impose some further unpopular austerity measures in order to obtain vital credits from the International Monetary Fund and commercial foreign lenders to shore up Peru's troubled economy. Acceptance of these measures by APRA's labor rank-and-file could help avoid a repetition of the widespread demonstrations and protests that forced the government to back down from the austerity program it sought to implement last June.

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Approved For Release 2007/02/07 : CIA-RDP79T00975A030300010096-9

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BRIEFS

Nigeria

25X1 [redacted] Nigeria has apparently decided on a new policy aimed at stepping up economic pressure against South Africa to end apartheid. The Nigerian Government has reportedly directed that foreign firms contracting with the Defense Ministry must certify that they have no business or other affiliation with South Africa. It is unclear if this directive applies to other government ministries as well.

25X1 [redacted] In the first application of the new policy, Nigerian Defense Ministry officials told a US firm during recent negotiations for the sale of a communications vehicle that a South Africa boycott clause must be part of the contract.

25X1 [redacted] In a vaguely worded threat last August, Head of State Obasanjo said Nigeria might initiate some sort of boycott action

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against foreign firms that do business with both Nigeria and South Africa. Lagos already puts informal pressure on multinational firms in Nigeria to cease investment in South Africa.

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Morocco

25X1 Moroccan King Hassan dismissed his cabinet last night and asked Prime Minister Ahmed Osman to form a new one, according to an official communique.

25X1 A cabinet reshuffle has been expected since parliamentary elections were held in June. The reshuffle is a prelude to the opening of Parliament later this month--the first time it will have met since the early 1970s.

25X1 The King, for cosmetic purposes, will probably appoint some members of opposition parties to non-sensitive cabinet positions. He is likely to keep old line loyalists in the sensitive posts. His policy is to divide and rule, and he will continue to make all important decisions.

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